



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

ENVIRONMENT, FISH AND WILDLIFE

August 13, 1999

In reply refer to: KEW-4

Mr. Todd Maddock
Chair
Northwest Power Planning Council
851 S.W. Sixth Avenue, Suite 1100
Portland, OR 97204

Dear Chairman Maddock:

Each year in the project selection process Bonneville submits several items for the development of the annual implementation work plan. These include an estimate of Bonneville's program administration costs for the coming fiscal year, a statement of the projects Bonneville considers to be "non discretionary" and specific implementation issues for guidance from the Council. We have also been asked to respond to specific assumptions made by CBFWA in establishing a base project budget for Fiscal Year 2000.

Program Support Costs

Total program and project support costs: Within the Fiscal Year 2000 budget, the sum of \$7,759,028 should be reserved for our total program and project support costs. Last year we requested that \$8,058,736 be reserved for this purpose.

Most of these costs are preliminary estimates, and the actual costs will depend on our ability to manage costs against the demand for project implementation and planning. However, these are best estimates available for the budget naming process at this time.

Comparison of Fiscal Year 2000 and Fiscal Year 1999 program costs: We have continued to make significant changes in our budgeting for fish and wildlife program support costs. First, we have assigned some staff on detail to program implementation who were previously funded from project support categories. We are also budgeting to bring the staff responsible for budget management and information systems directly into the Fish and Wildlife Division. The program support budget has included these staff in every year of the funding agreement. By bringing these people directly into the division we intend to improve project implementation and redesign our management systems. However, the net-effect for our "in-house" costs is a budget consistent with that for FY 1999. We have budgeted for additional staff support from our Pollution Prevention and Abatement division. This is an effort to train new staff in project management as we anticipate loss of experienced staff in the coming years from retirement. We believe this is a

cost-effective budget for continuing to initiate and renew projects on schedule and improve the accounting of the program.

The other significant improvement in our budgeting is the cost category for “Agency Loading”. In past years this was a general overhead charge applied by Bonneville to each of its business lines and other support activities. This charge included space and telephone charges, personnel services, the activities of the contract and procurement group, and other administrative costs. Bonneville has continued to shift the accounting for these services so that we identify exactly the level of service needed and adjust our requirements accordingly. In the budget forecasted for Fiscal Year 2000 we are able to define the specific components of almost all costs which were previously bundled into “Agency Loading”. What remains is an estimate of \$500,000 for general agency loading.

<u>Program Support</u>	<u>Fiscal Year 1999</u>	<u>Fiscal Year 2000</u>
F&W Division salaries, travel, external training	\$3,092,740	\$3,623,604
In-house contractors	\$337,996	\$350,024
Budget, computer, and communications support	\$590,000	0
Sub-total Program Staff	\$4,020,736	\$3,975,628
Legal services	\$360,000	\$400,000
Administrative support from EF&W group	\$105,000	\$116,000
Media services		\$50,000
Building Management		\$400,000
Audit		\$2,000
Internal Training		\$20,000
Management Consulting		\$13,000
Information Resources		\$370,000
Purchase and Supply		\$1,080,000
Agency loading	\$3,000,000	500,000
Sub-total BPA Overhead	\$3,465,000	\$2,951,000
PROGRAM SUPPORT TOTAL	\$7,485,736	\$6,926,628

Project Support Costs: Project support costs are administration and policy support for costs such as real estate appraisals, NEPA reviews, cultural resource assessments, and pollution prevention

and abatement. These costs will vary depending on the nature of the projects chosen for funding. Most of these costs are now included in the budgets estimated within the proposal submittals.

Our budget for pollution prevention and abatement includes reimbursement for staff detailed to the Fish and Wildlife Division.

The following project support costs are being budgeted as part of the program and project support budget. Project specific costs are estimated within individual project budgets.

<u>Project Support</u>	<u>Fiscal Year 1999</u>	<u>Fiscal Year 2000</u>
Real Estate	\$60,000	\$0
NEPA and NHPA	\$500,000	\$632,400
Pollution prevention and abatement	\$13,000	\$200,000
PROJECT SUPPORT TOTAL	\$573,000	\$832,400
TOTAL PROGRAM AND PROJECT SUPPORT	\$8,058,736	\$7,559,028

Bonneville recommendations concerning base budget assumptions in the Draft Annual Implementation Work Plan of the Columbia Basin Fish and Wildlife Authority.

The Columbia Basin Fish and Wildlife Authority based its project funding recommendations using certain assumptions that funds are available above the average \$127 million committed to the direct program in Bonneville's fish and wildlife funding agreement. In our view, some of these assumptions should be reviewed by the Council for specific guidance to revise the base budget. We can accept some of CBFWA's assumptions with conditions. And finally, there are several assumptions that we believe are mistaken or are not appropriate. We are committed to full discussion of these issues with the Council or in the staff workgroup for monitoring implementation of the fish and wildlife funding Memorandum Of Agreement.

CBFWA assumed that the remaining "contingency/inflation" reserve of \$2,593,000 be completely used to build the budget for Fiscal Year 2000. This fund has been steadily tapped through the life of the budget agreement. It is what remains available to fund unforeseen costs due to natural disasters or new needs. We think this is an issue for the Council to respond to and we are willing to manage the budget accordingly. CBFWA appears to have assumed that a contingency budget can be maintained in Fiscal Year 2001 by revising project renewal schedules so that they are funded only through the end of the fiscal year. As described, we would not consider this to be appropriate under the fish and wildlife funding agreement.

Similarly, CBFWA recommends that \$1,509,632 in available unallocated interest and carry-forward funds be rolled forward to the Fiscal Year 2000 budget. These funds are available so long as they are not recommended for reallocation to other needs before the end of the fiscal year.

CBFWA estimated that \$2 million will be available from interest on unaccrued project obligations in Fiscal Year 1999. As we move through the life of this funding agreement we are seeing project expenditures catching up to obligations. We estimate that \$1.5 million can be assumed to be available from Fiscal Year 1999. We usually have actual amounts in December and will confirm the actual amount of the First Quarterly Review Meeting in the Fiscal Year 2000.

As we have addressed in an earlier response to CBFWA Executive Director Brian Allee, we consider it an error to expect that \$4.9 million is available from unspent capital project funds. Under the fish and wildlife funding Memorandum Of Agreement, the program budget is managed on an obligations basis and we report the status of obligations each quarter. Once funding is obligated to a project it remains available until a decision is made to terminate the project contract and “deobligate” committed budgets. This must be done on a project-by-project basis and depends on auditing the status of contractor billings. We are undertaking to determine if funds may be deobligated from past projects and are grateful to have CBFWA’s support and assistance in this effort. As we deobligate funds we will return them to the appropriate placeholder for reallocation through the quarterly review process.

CBFWA also recommended that \$1,124,225 be available from funds Bonneville carried forward from Fiscal Year 1998 in its own internal support budgets. We reported on the use of these funds at the July Quarterly Review. In summary, a portion has been used at the Council’s request to fund a part of the costs of the regional framework. We have also funded analysis and support for the federal caucus efforts to develop a unified regional plan. Finally, we are reserving the remaining balance to fund the consulting services of Moss-Adams Advisory Services to redesign program management systems for improved project reporting tracking, and management. We think this effort is a significant one to improve the region’s ability to monitor and guide future implementation of the program. We will be happy to review the work plan for this effort with the Council and CBFWA.

We have completed an estimate of our budget for program support for Fiscal Year 2000 as was summarized above. We do not agree with CBFWA’s recommendation that \$2 million of support costs be moved to another category of the Fish Budget Memorandum Of Agreement. CBFWA’s estimate of Bonneville’s costs for such activities is far above the actual budget for the several staff members who currently play these roles. The direct program budget is the only source of funding for Bonneville staff costs and we consider the staff functions supporting hydrosystem operations and regional decision-making to be core to our functions for fish and wildlife.

“Non-discretionary” costs

As a Federal agency, BPA has certain intrinsic governmental responsibilities that may not be transferred to other entities or voided. Chief among these is preservation of the Federal agency’s ability to independently make decisions that commit fiscal and material federal resources. Other responsibilities are statutory or contractual and can only be modified if the governing statute or contract is changed. Implementation of such responsibilities is embodied in certain internal and external contracted activities that BPA has identified as "non-discretionary".

BPA non-discretionary projects address a set of actions that provide independent information to guide and support BPA’s decisions pertaining to its responsibilities under the Power Act and Endangered Species Act together with its other responsibilities to the Public. BPA believes these actions must be included in projects approved by the annual Fish and Wildlife Program (FWP) prioritization process. Certain actions are required by legal agreements predating the implementation of the regional prioritization process or resulting from the Endangered Species Act (ESA) or Northwest Power Act.

The 1996-2001 Memorandum of Agreement addresses total fish and wildlife expenditures under the Endangered Species Act and the Power Act’s Fish and Wildlife Program. BPA recognized that existence of non-discretionary activities required administrative accommodation between non-discretionary and total expenditures. Since 1997 the existence of non-discretionary projects has been brought to the attention of the Council and CBFWA during formal Council sessions and in informal discussions with Council and CBFWA staff prior to completion of the annual prioritization process.

We recognize that the Council is discussing a significant departure from past annual implementation work plans in response to the recommendations of the Independent Scientific Review Panel. A number of the ISRP recommendations bear on projects Bonneville has defined as “non-discretionary” in previous years. In particular, the role of the PATH process and regional data management are very much at issue. We anticipate that our need for analytical support for decision-making will continue consistent with past funding levels, but we are frankly uncertain about how to define those needs at the same time the Council is considering significant changes in the process to develop the annual work plan. For that reason, we have asked your staff for additional time to define our technical and analytical “non-discretionary” requirements. We expect to have the definitions of our non-discretionary analytical needs to the Council by August 20th, 1999.

Below we have defined other non-discretionary projects defined by previous contractual or legal obligations. Some of these projects were questioned by the ISRP. Unless otherwise indicated below, Bonneville’s intention is to provide a “reasonable” level of funding for each of these projects. The amount indicated is our best estimate of what this level of funding would be in Fiscal Year 2000. Comments and recommendations about what constitutes a reasonable level of

funding for that particular activity will be considered, but no reductions in these amounts should be assumed in the Fiscal Year 2000 budget unless the reductions are confirmed in writing by us.

Contract commitments

Resident Fish		FY 2000
Project 9104600	Spokane Tribal Hatchery (Galbraith Springs) O&M	\$521,934
Project 9104700	Sherman Creek Hatchery O&M	\$201,397
Project 8503800	Colville Tribal Hatchery O&M	\$360,973

Our estimates of the budgets required for these projects are consistent with CBFWA's assumptions.

The Independent Scientific Review Panel recommended that the Colville Hatchery project not be funded. Our contract for funding sets specific terms and conditions for termination. As you are aware, Bonneville has invested a substantial amount of funds to date for planning, construction and maintenance of this facility as a resident fish substitution project recommended by the Council's Program. We anticipate requiring additional time to consult with Confederated Colville Tribes to determine an appropriate transition plan for this facility if the Council recommends not to continue funding of the program.

Wildlife		FY 2000
Project 9609400	WDFW Habitat Acquisition (Washington Coalition Wildlife Mitigation Agreement)	\$1,912,335
Project 9608000	Nez Perce Memorandum Of Agreement – NE Oregon Wildlife O&M	\$235,325

The Washington Wildlife Agreement commits Bonneville to specified payments over a period of years. The amount indicated is the payment due this year. For the Northeast Oregon Wildlife Project, the stream of payments for operations and maintenance through FY2000 was an integral part of the agreement and was subject to extensive review at that time. Operations and maintenance expenses after FY2001 will be subject to annual prioritization. The amount indicated above is the payment due FY2000.

Anadromous		FY 2000
Project 8902700	Power Repayment O&M for US BOR Pumping Project	\$800,000

Actual repayment costs are increasing with the completion of Phase II of the Umatilla Basin Project. We think \$800,000 is a realistic estimate for the budget of this project. At the July Quarterly Review we raised our concern about our limited ability to predict and manage these repayments. This is an issue we intend to explore further and seek options to better control costs.

The Independent Scientific Review Panel recommended that funding be delayed for this project. The Panel expressed concern about the integration of the project into the context of Umatilla restoration efforts as a whole and also questioned the monitoring of biological objectives of the project. The pumping operations are key to the water trading mechanism to support the Umatilla Basin Project. The Project Act (P.L. 100-557) requires Bonneville to repay the costs of the pumping operations so we consider this project to be non-discretionary.

Issues in CBFWA and ISRP project recommendations

We have reviewed the project proposals and the recommendations of CBFWA and the ISRP with an eye towards issues that may impede implementing the projects as recommended. Our effort was intended to identify potential funding or implementation and bring them to the attention of the Council before the final work plan is adopted. These issues included:

1. Questions or concerns about CBFWA's project budget assumptions. In some cases CBFWA recommended revision to project budgets without sufficient explanation to guide implementation at the recommended budget level.
2. Clarification of ISRP recommendations.
3. Other questions about proposed funding levels
4. Clarification of assumptions for use of budgeted but unobligated ("carry-forward") funds from Fiscal Year 1999.
5. Other programmatic issues.

In addition we have attached an appendix of project specific comments to assist the Council's review.

5. Other specific implementation issues.

- 1. CBFWA Budget modification assumptions are unclear and require explanation to guide implementation.**

Project 9406900, A Spawning Habitat Model to Aid Recovery Plans for Snake River Fall Chinook

Sponsor: PNNL

Proposed Budget: \$333,000

CBFWA Budget: \$150,000

This project consistently gets high ranking by both CBFWA and ISRP but is never awarded full funding. This year's recommended budget is less than what was awarded last year and is not enough to complete the milestones that are outlined in the proposal.

Project 9306000, Select Area Fishery Evaluation Project

Sponsor: ODFW, WDFW, CEDC

Proposed Budget: \$1,500,000

CBFWA Budget: \$1,400,000

The CBFWA budget cut will postpone expansion to new sites and increasing numbers of net pens. ISRP recommends consideration of multi-year funding after a programmatic review of ISRP or ISAB.

9802800, Trout Creek Watershed Improvement

Sponsor: Johnson County Soil & Water Conservation District

Proposed Budget: \$160,917

CBFWA Budget: \$ 35,402

Sponsors amended the scope of work in an effort to address ISRP concerns and responded to the sequence implementation recommended by the ISRP's 1999 report. The funding level as modified by CBFWA is inadequate to meet the scope of work milestones within the stated performance period.

Project 9801900, Wind River Watershed Restoration

Sponsor: Underwood Conservation District, USFWS, USGS, WDFW

Proposed Budget: \$1,146,412

CBFWA Budget: \$ 553,717

The Wind River Sub basin has had thorough assessment work done. The USFWS has completed an extensive watershed analysis of their lands (70% of the sub basin) and worked cooperatively with others to assess the limiting factors and site priorities for restoration in the entire sub basin. The "Wind River Basin Watershed Analysis" was completed by the U.S. Forest Service in 1996.

The Lower Columbia Fish Recovery Board legislated by the state of Washington, has recently performed (1999) a "Limiting Factors Analysis of the Wind River Sub Basin".

The approved funding levels are inadequate to meet project milestones as proposed.

2. Additional explanation/clarification needed if Bonneville is asked to implement ISRP recommendations to delay or fund in part specific projects.

Project 9402600, Pacific Lamprey Research and Restoration

Sponsor: CTUIR

Proposed Budget: \$381,000

CBFWA Budget \$381,000

The ISRP recommendation to fund at the 10% level is not clear. Does the ISRP specifically want Objective 2 (only) implemented, or are they suggesting that the project be cut back and refocused on long-term goals? This project is current with its quarterly and annual reports.

Project 9801003, Spawning Distribution of Snake River Fall Chinook Salmon

Sponsor: USFWS

Proposed Budget: \$183,000

CBFWA Budget \$178,000

The ISRP reviewers were concerned about the lack of a good summary of work performed to date and minimal effort being expended on dissemination of results. Proposal submission coincided with the collection of data on the first group of returning adult fish (primary target group). Expansion of the work summary in future proposals should be evident.

The ISRP reviewers were not clear why there was a large budget increase in Fiscal Year 2000. The original Year One budget estimates were inadequate. The Fiscal Year 2000 budget corrects estimates and brings budget shortfalls in line with actual requirements.

Project 9900300, Evaluate Spawning of Salmon Below the Four Lowermost Columbia River Dams

Sponsor: WDFW, ODFW, USFWS, PNNL

Proposed Budget: \$386,000

CBFWA Budget: \$356,000

It is unclear if the ISRP means to fund at the reduced level of \$356,000. The work can not be accomplished with any less funding.

3. Project specific issues which need resolution for establishing funding levels.

Project 9701400, Evaluation of Juvenile Fall Chinook Stranding on the Hanford Reach

Sponsor: WDFW

Proposed Budget: \$217,000

CBFWA Budget \$217,000

The budget is not adequate. Since submission of this proposal, there have been other regional decisions that will likely require this project to continue to do field work to assess juvenile fall chinook stranding. Another \$125,000 may be needed for this project (Total Fiscal Year 2000 funding would be \$342,000).

Project 9303501, Enhance Fish, Riparian, and Wildlife Habitat Within the Red River Watershed

The current project effort cannot be completed with Fiscal Year 1999 dollars. An incomplete project jeopardizes down stream landowners due to unstable river conditions and would risk long-term protection of upstream improvements. Critical monitoring data used to evaluate the success of the Red River restoration design and information to guide future restoration projects might be lost.

4. Expectations for the availability of Carry-Forward funds need to be clarified.

Project 8335000, Nez Perce Tribal Hatchery

Sponsor: Nez Perce Tribe

Proposed Budget: \$20,188,949

CBFWA Budget: \$14,590,000

Carry forward funds need to be rolled over due to construction delays. In addition, as the Council considers guidance concerning this project we would note that Project 8335003 (NPTH Monitoring and Evaluation) is an essentially linked project.

Project 9604300, Johnson Creek Artificial Propagation Enhancement

Sponsor: Nez Perce Tribe

Proposed Budget \$2,800,000

CBFWA Budget: \$2,800,000

The Council approved this production initiative as one of the 15 high priority supplementation projects in March 1996. Assuming continued support for the project, Fiscal Year 1999 funds for this project need to be carried forward as pre-construction activities needed to take place before construction could begin.

Project 99004402, Coeur D’Alene Tribe Trout Production Facility

Sponsor: Coeur D’Alene Tribe

Proposed Budget: \$1,553,244

CBFWA Budget: \$1,500,000

Carry Forward Funds need to be rolled over to Fiscal Year 2000 due to NEPA and Cultural review delays.

Project 99004401, Lake Creek Land Acquisition and Enhancement

Sponsor: Coeur D’Alene Tribe

Proposed Budget: \$140,423

CBFWA Budget: \$140,423

Carry forward funds need to be rolled over to Fiscal Year 2000 due to delays in property acquisition.

5. Other programatic issues:

Coded Wire Tag contracts: (Projects 82-013-00, 89-069-00, 89-065-00, & 89-066-00).

Although there is agreement between ISRP and CBFWA to fund these projects there is a pressing need to resolve a question about responsibility. The Council has questioned the responsibility of Bonneville to fund these projects at their current level. This has not been resolved. We would ask that the discussions regarding the appropriate level of Bonneville funding that were started between NPPC and the management agencies should be resumed and the issue resolved. We would appreciate being notified of such discussions.

Watershed/Habitat O&M projects.

The maintenance of fish and wildlife habitat actions is rapidly becoming a major expense of the Councils Fish and Wildlife programs. There is not a consistent policy for Bonneville’s responsibility for operations and maintenance.

While not adopted as a final guideline, the Wildlife Working Group drafted specific standards for operation and maintenance of wildlife projects. We think similar consistency is needed for anadromous and resident fish projects.

Oregon Wildlife Coalition Projects No. 20112, 20114, 20115, and 20116. All of these projects and their Fiscal Year 1999 counterparts raise concerns regarding crediting for specific hydropower project losses. Each hydro facility has estimated Construction Losses measured by Habitat Units, amended into the Council’s Program. No estimates for operational losses have

been made. Oregon's share of construction losses for McNary Dam is 4,709 HU's. BPA has funded Oregon mitigation projects for McNary, that equal the construction losses. Other facilities have not been fully mitigated. The Oregon Wildlife Coalition does not believe that the losses amended into the Council's program are adequate, and therefore want to continue adding projects that mitigate for McNary. We think it would be premature to commit funding before the program is amended.

This concludes Bonneville's comments on the projects proposed for funding in Fiscal Year 2000. As I have discussed with you previously, we are willing to assist you and your staff as you complete your decisions for the Fiscal Year 2000 Annual Implementation Work Plan.

Sincerely,

Robert J. Austin
Acting Manager, Fish and Wildlife

Enclosure
Appendix 1

cc:
Brian Allee - Columbia Basin Fish and Wildlife Authority
D. Robert Lohn - Northwest Power Planning Council